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Indonesia

Grain and Feed

Rice Update

2004

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Report Highlights:

Based on a good second crop rice harvest, and the prospect that the import ban will continue indefinitely, the rice import forecast for 2004 has been reduced to 800,000 MT. Currently, the rice ban extends through 30, August 2004, but it is expected it will be extended, possibly through the end of 2004. Furthermore, the recent rise in international prices, in the face of stable or declining domestic prices, further reduces the incentive for attempting to import rice in violation of the ban.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Jakarta [ID1]
[ID]

PSD Table

| Country Commodity | Indonesia | | | | | |
|-----------------------|--------------------|--------------|-------------|--------------|-------------|--------------|
| | Rice, Milled | | | | | |
| | (1000 HA)(1000 MT) | | | | | |
| | 2002 | Revised | 2003 | Estimate | 2004 | Forecast |
| Market Year Begin | USDA Official | Estimate [1] | DA Official | Estimate [1] | DA Official | Estimate [1] |
| | | 01/2003 | | 01/2004 | | 01/2005 |
| Area Harvested | 11500 | 11500 | 11700 | 11700 | 11750 | 11750 |
| Beginning Stocks | 4683 | 4683 | 4344 | 3993 | 2944 | 2843 |
| Milled Production | 33411 | 33411 | 34250 | 34600 | 34400 | 34750 |
| Rough Production | 51800 | 51800 | 53101 | 53643 | 53333 | 53876 |
| MILLING RATE (.9999) | 6450 | 6450 | 6450 | 6450 | 6450 | 6450 |
| TOTAL Imports | 2750 | 2400 | 1000 | 800 | 2000 | 1500 |
| Jan-Dec Imports | 2750 | 2400 | 1000 | 800 | 2000 | 1500 |
| Jan-Dec Import U.S. | 71 | 100 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 40844 | 40494 | 39594 | 39393 | 39344 | 39093 |
| TOTAL Exports | 0 | 1 | 0 | 0 | 0 | 0 |
| Jan-Dec Exports | 0 | 1 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumptic | 36500 | 36500 | 36650 | 36550 | 36602 | 36600 |
| Ending Stocks | 4344 | 3993 | 2944 | 2843 | 2742 | 2493 |
| TOTAL DISTRIBUTION | 40844 | 40494 | 39594 | 39393 | 39344 | 39093 |

Note: Data in the "Old" column reflects FAS/W data. For Post's previous PS&D refer to Report ID4011.

Production

Major rice producing areas in Indonesia nearing the end of the second harvest season (which is expected to produce around 17.8 MMT unhusked/rough rice or GKG-gabah kering giling). The (first) main season crop harvested in Feb/April resulted in output of 25.6 MMT, 48 percent of total annual production. Despite some crop damage reported in some (non-irrigated) rice areas due to dryness, the second crop is reported to be good. As a result, 2004 rice production estimate has been increased to 53.6 MMT (34.6 MMT milled rice equivalent), nearly 3 percent higher compared to the previous year. For 2005, assuming a slight increase in area, production is expected to again grow marginally to 53.9 MMT rough rice or equivalent to 34.7 MMT milled rice.

Rehabilitation and/or development of irrigation facilities, timely availability of good seeds and other agricultural inputs such as fertilizer continue to be the government's focus in its efforts to improve rice yields (current average yield from irrigated and non-irrigated rice areas approximately 4.5 MT/ha). However, small farmers' land ownership (in average 0.3 hectare) continues to be a major obstacle to production expansion as benefits from economies of scale are limited.

In the past month, domestic rice prices have declined. Reportedly, the average of farmgate prices during the current harvest season are declining from Rp. 1,460/kilogram for dry unhusked rice for storage (GKS-gabah kering simpan) to Rp. 1,200/kilogram and Rp. 1,230/kilogram for fresh crops (GKP-gabah kering panen) to Rp. 900/kilogram.

Note: the government set floor prices for GKS is Rp. 1,285/kilogram and for GKP is Rp. 1,095/kilogram.

Consumption

Rice consumption in Indonesia is relatively stable, estimated at approximately 36.55 MMT per year in 2004. Use is increasing slightly to keep pace with population growth. While Bulog has stopped distribution to the military, subsidized rice distribution for needy families continues, and an estimated 2.0 MMT will be distributed under this program in 2004.

Trade

In line with sufficient local supplies, stable to declining domestic prices, and prospects that the import ban will be continued, the forecast for 2004 rice imports has been reduced to 800,000 MT. The ban is currently set to expire August 2004, but it is expected that the ban will be extended. The official policy is that extensions will be set on a month-by-month basis, following review of the domestic supply situation, but recent comments by senior officials indicate the ban may be extended at least through December 2004.

Rice prices are declining due to the better than expected second crop rice harvest. In the first week of August, the average price of medium quality rice was about Rp. 2,500/kilogram (US\$ 290.7/MT at an average exchange rate of Rp. 8,600/US\$ 1), down from Rp. 2,700/kilogram (US\$ 313.9/MT) during the January-June period. With these prices prevailing in the domestic market, and prices from other Asian sources on the rise, the returns from trying to import rice in violation of the ban are minimal, and not worth the risk. Since the ban has come into force, reportedly the quantity of rice imported illegally has been minimal, certainly much less than the amount of rice that has entered illegally (by not paying full duty) in previous years. Also, by all accounts, border officials have been strictly enforcing the ban, further eroding the incentives to try to import. Other high profile examples of taking action against those that have attempted to smuggle other agriculture commodities has also lessened similar activity in the rice trade.

Stocks

At the end of the second harvest, Bulog had almost fulfilled their annual projected purchases (targeted at approximately 2.0 MMT of milled rice equivalent) from local farmers. With additional supplies from the recent harvest, stocks in the market and pipeline are plentiful. Bulog stock is reportedly over 2.5 MMT of milled rice equivalent. Carry-over stocks are forecast to be at 2.8 MMT at the end of 2004.

Policy

The official decree that implements the rice import ban states that it will be reviewed on a monthly basis to determine whether it should be extended. However, recent statements by senior officials indicate that the ban likely will be extended at least through 2004.

Some additional rice categories were recently included in the rice import ban, i.e., rice for seeds (HS. 1006.10.10.00), glutinous rice (HS. 1006.30.30.00), rice flour (HS. 1102.30.00.00) and other flours (HS. 1102.90.00.00).

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